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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks by Assistant Secretary of Agriculture William Lesher before the Australian National Agriculture Outlook Conference, Canberra, Jan. 26, 1982

AN OUTLOOK FOR U.S. AND WORLD AGRICULTURE

In today's world, it is inappropriate to talk of the agricultural outlook as if it occurs in a vacuum. Over the past decade, agriculture has become such a part of world economic developments that it is no longer separable or distinct. Correspondingly, this growing interdependency of sectors and economies has made it almost impossible to forecast specific outcomes with any degree of certainty.

This past year was an excellent example. If you were to list the major factors shaping U.S. and world agriculture in 1981, the list would include interest rates, exchange rates, inflation, unemployment, budget deficits, trade deficits and productivity. These issues are not confined to the United States; they also face virtually every economy in the world. Certainly, the record world and U.S. crops were a major factor in the overall agricultural economy, but not nearly, it seems, to the extent that they were 10 years ago.

The U.S. and world economies are undergoing significant economic, political, and social readjustments that seem to be overshadowing the more traditional agricultural indicators with which many of us are more comfortable. Internal and external policies throughout the world are in a state of interaction and evolution, and agriculture has a tremendous stake in this adjustment process. The President's Economic Recovery Program and the 1981 Agriculture and Food Act are only the first steps in the transitions the U.S. economy must undergo to restore economic health.

This does not diminish the need for a review of the agricultural outlook. We must always be aware of the current forces at work in the marketplace if we are to be responsive to the participants. However, I offer my analysis of the outlook not for acceptance, but for consideration, critical review, and comment. I will focus on but one of

a multitude of directions the outlook could take and my comments should serve only to make more familiar to you the basic issues which are evolving.

AN OUTLOOK FOR 1982

Agricultural and economic adjustments in 1982 are likely to be dramatic, and the year easily could be one of marked contrasts. Markets through the first half of the year are likely to remain under pressure from large commodity supplies and lagging economic activity throughout the world. However, the available supplies of most commodities in the world are not burdensome by historical standards and could easily be sharply reduced with some adverse weather or rapid improvement in economic conditions. The second half of 1982 holds promise, and I am optimistic that many of the new economic policies of the United States and other countries are going to provide a stimulus to demand for agricultural products.

Total world grain output in 1981/82, including wheat, rice and coarse grains, is forecast by USDA to increase more than 4 percent, exceeding the previous record set in 1978/79 by about 2 percent. Most of this increase is due to higher yields in feed grains.

Although feed grain consumption is expected to hit a record, total grain consumption may increase by just over 1 percent, well below the nearly 3 percent average annual growth of the last two decades. Thus, total grain stocks will exceed the 1979/80 level, reaching a projected 212 million tons, or 14 percent of utilization. The greatest gain will be in coarse grain stocks, which will be up more than one-third. Virtually all of this increase will occur in the United States. While world stocks are large, they are nowhere near the high levels relative to use that the world experienced through much of the 1960's.

In addition to the impact of weakened demand, trade in grains was uncertain in 1980 and 1981 due to increased tension around the world. Provided that the conditions in Eastern Europe do not deteriorate further, worldwide trade in grains in 1981/82 should approach 219 million tons, up 7 million tons. Wheat exports may hit a record 101 million tons. Much will depend upon purchases by Egypt, Brazil, South Korea, and other rapid-growth developing countries.

The United States increased grain production by 63 million tons (mostly corn and wheat) from the poor 1980 crops, but exports will be up only 6 million tons. I also believe it is possible that much more wheat will be used as feed, since our available wheat supply will break the 100-million-ton mark this year. U.S. wheat exports should be up 9 million tons. In contrast, rice exports are expected to fall slightly due to increased production in major importing countries. However, the experience of the past few years should make one cautious of overstating the burden of these large supplies on the market. Prices are below last year, but unforeseen events on both the supply and demand sides could easily change these price prospects in the near future.

World production of oilseeds also will recover sharply from last year's slump, nearly matching the record 174-million-ton crop of 1979/80. The sluggish economy may not be able to absorb additional production at last year's prices.

World stocks of cotton have fluctuated between 20 and 25 million bales over the past 5 years. Stocks are expected to exceed the upper end of the range by the end of 1981/82, with U.S. stocks more than doubling. Production and consumption will both set records, but production will top consumption by more than 4 million bales. World trade may increase only modestly as a result of the sluggish demand for textiles.

Our forecast of world sugar production, demand, and stocks point to relatively low prices in 1982. Prices could be better in 1983, but much depends on the size of the 1982/83 and 1983/84 crops. In the coming weeks, the decision by European Community producers to implement plans to stockpile as much as 2 million tons of sugar also will be an important factor.

World meat—that is, red meat plus poultry—output in 1982 likely will rise a little above the 1981 level. Poultry will continue to increase, while the red meats will stay about the same. It is likely that reduced U.S. pork production will more than offset small increases in beef and poultry output.

U.S. producer returns in recent years have been squeezed by higher feed costs and prices reduced by relatively large meat supplies. The shortfall in the 1979/80 feed crops resulted in high feed costs in 1980 and early 1981. Responding to these high costs and depressed livestock

and poultry prices, U.S.producers have substantially reduced the level of cattle feeding, and the size of the hog breeding inventory. Nonfed beef production, however, has risen and more than offset the decline in fed beef output.

The large feed crops harvested in 1981 have resulted in sharply lower feed costs. Livestock and poultry producers are benefiting from these lower feed costs, but product prices remain under pressure because of large meat supplies and weak economic activity. A tightening of meat supplies that will result mainly from the cutback in pork production should result in higher livestock and poultry prices during the year if the economy strengthens as expected.

Cattle feeding is likely to begin picking up as cattle prices strengthen and feed costs remain relatively low. Since nonfed slaughter is likely to remain large, total beef output could increase approximately 2 percent in 1982. Prices for Choice fed steers are expected to strengthen modestly, but most of the increase is likely to come as the economy improves in the second half of the year.

If producers follow their farrowing intentions as reported by the USDA, pork production may drop around 10 percent this year, following a 5- percent decline in 1981. However, as producers respond to lower feed costs and higher hog prices, the number of pigs born may build to near year-earlier levels by late 1982.

A limited increase in broiler production, coupled with continued strong export demand, is expected to result in some price increase.

Although we expect a slight increase in foreign meat production in 1982, we also expect beef imports into the U.S. to be relatively low again. Since the anticipated level of imports is below the trigger level of the Meat Import Act of 1979, the imposition of import controls will not be required.

U.S. and world milk production increased in 1981 and another rise is expected this year. U.S. dairy producers have responded to favorable milk/feed price relationships and increased milk output through both a higher output per cow and a larger milk cow herd. The milk price support level for the 1981/82 marketing year remains at the year-earlier level. This is expected to result in a slowing in the increase in milk output, while leading to improvements in the competitive price position of dairy products.

THE AGRICULTURE AND FOOD ACT OF 1981

When the Reagan Administration took office in January 1981, several farm issues demanded immediate action. Among others, these included the need to replace the 1977 Farm Act. We felt it important that we take the initiative to advance, for consideration by the Congress, programs consistent with today's agriculture and its role in the larger economy.

The need for a consistent and cohesive set of agricultural programs was obvious. Agriculture differs greatly from other sectors of the economy in that production depends on natural and biological forces. Weather alone can transform crop abundance into scarcity. Thus, there is a need to protect against natural disasters. There also is a necessity in agriculture for protection against economic disasters which are inherent in an industry with substantial fluctuations in output. Agricultural commodity price variations can be large as supplies change, leading to significant changes in farm income from year to year.

We felt that a sound farm program should embody certain principles. First, we decided that our proposals must embrace a greater orientation to the market than those we have experienced in the past. In many instances, commodity programs which started with a few basic features became highly complex—so much so that both farmers and program administrators found them difficult to comprehend. In fact, the programs themselves came to be a major source of uncertainty to farmers. Importantly, many of these programs distorted agricultural incentives and induced inefficiencies because of little reliance on the workings of the market.

To secure more market-oriented farm programs, we sought to keep them flexible and to avoid setting prices at artifically high levels. We also sought to remove unnecessary constraints on the operation of the farm business.

As you know, the 1981 Agriculture and Food Act was passed by Congress and signed into law by President Reagan last month. It is a 4-year authorization bill for many farm programs, with commodity provisions generally applying to the 1982-1985 crop years. In addition, the food stamp program, resource conservation, and P.L. 480 programs are covered by this legislation.

For some commodities, the 1981 Act represents a continuation of current policy; for others, it marks a new beginning. A modified peanut program calls for more market flexibility; there is a new sugar program; and a new rice program with no allotments such as it had in the past.

While many of the more dramatic changes are in the smaller commodity programs, other changes in the larger programs point the way toward a more marketoriented future. The Act reflects the fact that the world has changed greatly in recent years; few aspects have changed more than trade growth, especially trade in agricultural products. Many provisions of the 1981 Act are aimed at enhancing growth in international trade and at reducing government interference in agricultural markets. Clearly, we haven't achieved all of our goals in this one bill, but it is a major step in the right direction.

Other recent legislation also is important to strengthening the American agricultural sector. Within the Economic Recovery Tax Act of 1981, for example, are new provisions for lower personal and corporate income tax rates, more rapid depreciation timetables, and liberalization of inheritance tax provisions. Concerning the commodity programs of the farm bill, I will briefly explain those which are most important to Australian agriculture.

For wheat and the feed grains, the dual commodity income and price support system, established in the 1973 Act, will continue through the 1985 crop year. Income support is provided through the target price concept, which guarantees eligible producers a direct payment if farm prices fall below established target prices. One of the new features in the 1981 Act is the procedure for setting the target prices for not only wheat, but feed grains, cotton and rice. No longer will target prices be set according to changes in the cost of production. Minimum target prices are established each year under the Act and the secretary of agriculture is given the authority to raise this above the minimum. This additional flexibility will allow the secretary to set target price levels according to supply and demand conditions—not just changes in the cost of production.

Price support will continue through a nonrecourse loan program with levels determined by the secretary of agriculture. Minimum loan rates for the 1982-85 crops of wheat and corn are $3.55 and $2.55 per bushel, respectively.

Grain price support measures available also include the farmer-owned reserve and acreage reduction programs. Under the reserve, farmers can isolate grain from the market for 3-5 years, or until the national average price for grain increases to a predetermined release level. The secretary has discretion to set incentives for participation in the reserve and for any acreage reduction programs. He has announced intentions to institute a 15- percent acreage reduction for the 1982 wheat crop, and acreage reduction options are being examined for feed grains, rice and cotton.

Target prices for 1982 wheat are established at a minimum of $4.05 per bushel. This minimum will rise progressively each year up to $4.65 per bushel in 1985. For corn, the target price in 1982 is $2.70 per bushel; it will rise to $3.18 in 1985. The secretary of agriculture is empowered to establish higher levels based on economic factors, including changes in per acre costs of production. The 1981 Act also requires that payment rates for the other feed grains—sorghum, oats, and barley (if the secretary chooses)— be set at rates which are fair and reasonable in relation to the rate set for corn.

Rice is a commodity for which the 1981 Act makes extensive program changes. The previous allotment system is repealed. All rice producers—not just those holding allotments—now can choose to paticipate in the rice program. The target price for rice cannot be less than $10.85 per hundred pounds for the 1982 crop. This will rise progressively to $12.40 per hundredweight for the 1985 crop.

Moving to fibers, the loan rate for upland cotton will continue to be based on the formula used in the 1977 Act; however, the minimum is set at 55 cents per pound for the 1982-1985 marketing years. Target prices must be the higher of 120 percent of the loan rate or separate figures (ranging from 71 cents per pound in 1982 up to 86 cents per pound in 1985).

Our sugar program under the 1981 Act will establish a purchase agreement program at 16.75 cents per pound through March 31, 1982. In October 1982, a nonrecourse loan program will be established with a rate of 17 cents per pound. This will rise over time to 18 cents per pound in 1985. The effect of these changes in the sugar program is that higher duties and import fees were imposed on imports of sugar into the U.S., effective Dec. 24, 1981. Import fees for raw sugar were set at

2.1418 cents a pound, and at 3.1104 cents for refined sugar. The rate of duty on raw sugar was increased to the maximum of 2.8125 cents. As an attachment to the 1981 Act, a separate presidential proclamation allowed Australia to meet some long-term contractual obligations to deliver sugar to U.S. processors, providing that such shipments entered the country before Jan. 1, 1982.

The dairy provisions of the new farm bill call for a minimum support level for milk of $13.10 per hundred pounds. This figure will rise over time to $14.60 per hundredweight in 1985. There also are separate provisions within the Act which call for the minimum support price to be a fixed percentage of parity. While dairy production likely will continue to exceed domestic consumption in 1982, we are optimistic that provisions of the program will lead to moderation in production increases while stimulating use of dairy products.

I should mention at least one other provision of interest to Australian meat exporters—the inspection of meat imports. Basically, the meat in question will be subject to the same inspection, sanitary, quality, species- verification, and residue standards applied to products produced in the United States. Any meat article not meeting these standards will not be allowed to enter the United States. This provision, however, unlike some preliminary versions of it, does not prohibit entry of foreign meat because drugs or chemicals banned in the United States were used during the production process.

TRANSITION AND CHALLENGE

While many factors are beginning to come into focus for 1982, the outlook for the next few years could change abruptly as the domestic and foreign policies of the major participants in the world marketplace continue to interact and evolve. While events in Poland receive great attention at this time, they represent only one of many issues the world must face in coming years.

The United States has taken some dramatic steps to return its economy to the prosperity enjoyed in the past. We have proposed and enacted the largest reductions in both federal budget outlays and taxes in our history. At the same time, significant efforts are underway to deregulate major sectors of the economy and sharply increase the incentives for private sector saving and investment.

These dramatic changes in domestic economic policy will affect the United States as a market for agricultural products. Economic conditions have altered many of the preferences of U.S. consumers, particularly in the area of meat consumption. Further adjustments are likely in other areas as economic programs, deregulation and renewed business incentives begin to take effect. Major shifts in demand patterns throughout the world will almost certainly evolve in the next few years as the policies of the major participants in the world marketplace undergo change.

U.S. agriculture is bearing its direct share of this adjustment process. Significant budget reductions are cutting deeply into phases of government's involvement in agriculture beyond commodity programs. A careful review of priorities will continue for some time, impacting all areas of USDA, including the research, outlook and statistical activities with which you are all familiar. Additionally, emphasis on deregulation will bring programs and policies, such as marketing orders, under greater scrutiny to ensure their desirability in a market context. Equally dramatic will be the adjustments in financial institutions and practices as agriculture must increasingly seek financing in the private sector.

The 1981 Agriculture and Food Act evolved in a manner which clearly indicated the resolve of this administration to return agriculture and the rest of the economy to a more market-oriented posture with reduced government involvement. This resolve will extend to the international marketplace.

U.S. agriculture has become increasingly dependent upon exports as a source of its growth and prosperity. In asking our producers to seek their returns in the market, rather than in income support from the government, it is essential that they be assured of access to all market outlets. Obviously, trade policies of exporters and importers such as the EC and Japan are not consistent with the free and open market concept. This issue must be faced not only in the context of agriculture, but in all areas of commerce.

Every country is struggling to adjust to the economic, social and political realities of today's world. As this adjustment occurs, it should not be assumed that the United States will continue to absorb the global instability which is likely to characterize the 1980's. We will aggressively seek to resolve inconsistencies which disrupt agricultural

trade flows, and look forward to finding solutions in cooperation with both trading partners and competitors. We have a consistent, pragmatic view of economic policy: we believe in the superiority of free-markets, not as a matter of faith, but because they have been proven effective.

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Remarks prepared for delivery by Secretary of Agriculture John R. Block before the International Poultry Trade Show and Conference in Atlanta, Georgia, Jan. 28, 1982

If you heard the President deliver his State of the Union address Tuesday evening — then you know I'm talking about some very bold and courageous changes that are in the works. They are needed changes — changes that are essential to the future prosperity of this nation. As President Reagan said, the only alternative that is being offered is to return to the way we were — and we all know how that worked. The time is ripe for continued change, and your continued support is essential if we are to see those proposed changes become workable realities.

You also heard the President say that we would be seeing an upturn in the national economy during the second half of this year. I hope that you won't pass those off as empty words. The indicators are quite positive.

For example, inflation has already dropped into the single digits since last January. It's still too high, but it's on a good course. And interest rates, though on a temporary upswing, will continue dropping as many of the financial incentives begin to take hold.

We already see this happening. All-savers certificates generated about $8.7 billion in deposits during last October alone. And the rate of savings in this nation, the key to long-term economic growth, began an impressive climb last January from 4.3 percent to about 6.5 percent in early December.

This is economic recovery in the making, and it's going to continue. Agriculture is going to be part of that recovery. In fact, I want agriculture to be one of the leaders in that recovery. I say that for a

good reason. Our economy can't survive without a strong agriculture. We are the largest net contributor to our country's balance of trade. We account for a full 20 percent of our nation's gross national product. We form the foundation for more than 23 million jobs — and that's a fifth of our nation's work force. In other words, we are involved in a very important industry that has a very important task ahead of it.

Let me tell you about some things we are doing.

One of our highest priorities is export expansion. Agriculture needs exports. We're capitalized for exports. Without them this industry would be in much more serious trouble. Also, because of the balance of trade situation — the economy of this country needs agricultural exports. So, what do we do?

One of our goals, of course, is to find new markets. We have an intensified effort in this direction. I have been on a number of trade missions myself, as have other people from my staff and the private sector. We're targeting those countries that show the most promise. We're going into those countries and we're doing a lot of talking. We've got a good product and we want to sell it.

Secondly, we are becoming very aggressive in protecting the markets that we already have. We are intensifying our attacks on those nations that aren't playing fair.

We are seriously concerned about the trade policies of the European Community — specifically their import barriers and their unfair export subsidies. In the past, U.S. attempts to counter those practices have been fragmeted and piecemeal. We just didn't do a very good job. Our actions in the past were weak — and we paid for that weakness. During that time the poultry industry lost its chicken market in Europe. We were undercut in the growing markets of the Middle East, and we are seriously threatened in the Far East.

But things have now changed. Work is well underway to put the poultry industry's Section 301 petition into the GATT machinery. That petition is directed toward getting relief from the unfair subsidies used by the European Community in poultry trade. Yours is one of six such petitions, representing a wide range of commodities, that are going into the GATT process — and we're expecting even more.

Meanwhile, we have developed a strategy for U.S.-EC trade relations. This strategy has been approved at the Cabinet level, and for

the first time we are taking an unified approach. This unity was evident last December in Brussels when Secretary Haig, U.S. Trade Representative Brock and I met with the Community. Discussions were frank. The European Community now understands that we are going to stand up and defend our trading rights wherever they are threatened.

Setting exports aside, there are some other important areas that we are also addressing. The most urgent involves the current financial situation facing many of our nations producers.

I want to stress, however, that the basic underlying financial strength of agriculture continues to be quite strong. The total value of our industry passed the trillion-dollar mark this year. The outstanding debt against those assets will approach $200 billion sometime during this year. In a business perspective, this is a very healthy business situation.

But because of some serious conditions that have come together in the past 18 months, the current cashflow situation is not good. This has been caused by a combination of high inflation, high interest rates and low commodity prices. In other words, we are in a valley. We need a little help as we move on up the hill.

With this in mind, I have asked private lending institutions across the United States to help us coordinate credit assistance to farmers. Last week I met with representatives of the Farm Credit System, and American Bankers Association and the Independent Bankers Association of America. Each has agreed to help monitor the credit situation and offer ways to improve innovative financing.

I have also instructed the Farmers Home Administration to make every effort it can to stay with its borrowers for another year. Farmers who have received FmHA loans will have their loans received on a case-by-case basis. Our objective is to keep the farmers in business.

Other actions will be necessary to assist agriculture during these difficult times. One of those actions will be my announcement of our farm programs tomorrow afternoon.

The fact is that we have too much supply. Because of this, prices have suffered. We need to voluntarily cut back on some of our production until this period is over and new markets become available.

I am certain that you are aware of this in the poultry industry. When your contractors cut back on their orders, you have to produce less

chickens and eggs. It's simple arithmetic, and it's necessary if you want to remain solvent.

Let me tell you — we are going to remain solvent. I don't know how it can be any other way. When you have an industry with a trillion-dollar asset. . .an industry with a tremendous production plant. . .with efficient producers. . .and with a plan for market growth — then you have an industry that we all can be optimistic about.

During his address Tuesday evening, President Reagan said there were "too many imponderables" for anyone to predict what is going to happen with any degree of accuracy.

This is the way I feel about agriculture. In fact, this is what excites me about agriculture. We're in a business that carries a certain degree of risk — but it also offers some unexpected surprises. No two years are ever quite the same.

If we work together, as an industry and as the citizens of a country — and if we have the patience to allow the recovery program to work — then I am certain that 1982 will be a year that we will remember for many years to come.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Testimony of John B. Crowell, Jr., Assistant Secretary for Natural Resources and Environment, U.S. Department of Agriculture before the Subcommittee on Public Lands and National Parks Committee on Interior and Insular Affairs, United States House of Representatives, Jan. 28, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am pleased to have this opportunity to present the Administration's views on H.R. 5161, a bill that would designate three new wildernesses on the Monongahela National Forest in the State of West Virginia. The bill includes a provision directing the Secretary of the Interior to acquire by exchange the privately owned mineral rights within the proposed Cranberry wilderness.

The previous Administration, as a result of RARE II, recommended four new wildernesses in West Virginia. These areas total 69,000 acres and include a proposed 35,600-acre Cranberry wilderness; Seneca Creek, 21,800 acres; and Laurel Fork North and Laurel Fork South, each with 6,100 acres. H.R. 5161 would exclude Seneca Creek and designate the three other areas wilderness.

I will comment individually on the wilderness proposals and the mineral exchange provisions. I would like to emphasize that my testimony reflects the Administration's position and incorporates views and comments of the Department of the Interior, which would be responsible for implementing the mineral exchange provisions and the Department of Justice which has concerns regarding the arbitration provisions of section 4.

PROPOSED CRANBERRY WILDERNESS

H.R. 5161 would designate a 35,600-acre Cranberry wilderness. The majority of the proposed Cranberry wilderness has been closed to public motorized use since 1936 when it was administratively designated the Cranberry Backcountry. Since that time, it has been protected from wildfire and managed to enhance fish and wildlife values. Official vehicles have been permitted within the area for resource management

purposes. The area is characterized by broad rounded mountains that are heavily forested in mixed hardwoods and red spruce. These conditions resulting from past management practices have made the area a candidate for wilderness designation.

The proposed wilderness encompasses 35,600 acres of National Forest System lands. The surface is entirely owned by the United States. However, the subsurface mineral rights on approximately 30,950 acres are privately owned; on 1,575 of these acres, the mineral rights are subordinated to the Highland Scenic Highway corridor so as to limit surface occupancy and powerline crossings of the highway. The identified existing mineral resources include extensive deposits of premium grade coking coal with low sulphur and low ash content. In addition, recent regional geological studies have stimulated new interest in the oil and gas potential of the area.

Wilderness classification without Federal ownership or control of the subsurface coal rights is not desirable. Furthermore, this Committee recently has expressed concern about oil and gas activities in designated wildernesses even though disturbance of the surface for extracting those resources is much less than it would be from strip mining or from underground mining. While we realize the Cranberry area offers an unusual opportunity for solitude in an undeveloped setting, we also recognize the potential importance and value of the mineral resources underlying the proposed Cranberry wilderness.

During the past year, working with the Department of the Interior, we have evaluated a number of alternatives for the Cranberry area. Purchase of the outstanding mineral rights by the United States is neither a feasible nor desirable alternative because of the high acquisition cost which could be as much as $28 million. We have investigated the opportunities for modifying the wilderness boundaries to permit underground coal removal but have concluded that mining facilities and transportation corridors would result in substantial surface disturbance to the area being proposed underground coal removal but have concluded that mining facilities and transportation as wilderness; consequently modification of boundaries to accommodate even underground mining is not a feasible alternative.

We have very major concerns about the feasibility and costs of the exchange proposed by H.R. 5161. Experience in trying to work out

similar exchanges of mineral interests indicates the process for identifying, evaluating, and reaching agreement on minerals suitable for exchange is extremely time consuming and is fraught with great difficulty in reaching agreement on value. We estimate that drilling, inventory, and administrative costs associated with the exchange could exceed $1 million. Furthermore, we are concerned about the values foregone when legislation denies or prohibits the production of minerals, whether they be privately or publicly owned. This is a matter that is often overlooked when presenting exchange as an alternative. The coal in the Cranberry area is estimated to be approximately 18.6 million tons of clean, recoverable coal. Therefore, we cannot support the mineral exchange provisions of section 4 and must regretfully oppose wilderness designation of the Cranberry area.

We believe continuation of the administrative protection and management which has been provided this area during the past 45 years can continue; it is preferable to wilderness designation because it would not preclude the owners of the subsurface mineral rights from exercising their rights.

Finally, we wish to point out that there are currently unresolved legal issues under existing law pertaining to the Cranberry area, as well as potential legal problems if H.R. 5161 is enacted into law.

Currently, the Cranberry is a designated wilderness study area under the Eastern Wilderness Act (P.L. 93-622). Under section 6(a) of that act, the Secretary of Agriculture is required to manage the surface to maintain the presently existing wilderness character for a period extending to the expiration of the third succeeding Congress from the date the area was originally recommended for wilderness designation. Since this wilderness recommendation was submitted in May 1979, the area would be protected until January 1, 1987. Our obligations regarding the Cranberry Wilderness Study area under section 6(a) of the Eastern Wilderness Act relating to the permitting of development of the subsurface might bring litigation if the study status of the area is not expressly revoked by the Congress. Therefore, if H.R. 5161 is enacted, it should contain a provision terminating the study area status.

The Department of Justice has identified legal problems associated with H.R. 5161 concerning the arbitration provisions of section 4(d). It is an unresolved legal question whether an arbitration procedure

establishing a legally binding determination of property values denies the owners of those rights due process under the 5th Amendment. An additional issue is whether a statute can set and limit compensation to the exchange of interests and rights. Furthermore, establishment of fair market value is normally the function of the judiciary. We also note that, under current law, the computation of fair market value considers the value of the coal and other minerals that are economically recoverable. The language of the bill in section 4(c)(4) assumes that all coal and minerals are "legally recoverable and removable." Such a standard would not be realized in fact and its application would potentially inflate the value of the private subsurface rights by a factor of two or three. We do not believe such a windfall would be in the public interest. Accordingly, the legal problems inherent in this bill, as well as its policy ramifications, suggest that the bill not be enacted.

PROPOSED LAUREL FORK NORTH AND LAUREL FORK SOUTH

H.R. 5161 proposed wilderness designation for Laurel Fork North (09044) and Laurel Fork South (09045). Both areas were recommended for wilderness designation as a result of RARE II.

The proposed 6,100-acre Laurel Fork North wilderness lies west of the Allegheny Front and is bordered on the east by the crest of Rich Mountain and on the west by the crest of Middle Mountain. This northern hardwood forest is characterized by valleys and slopes cut by the many side drainages of the Laurel Fork of the Cheat River that flows through the center of the area.

Immediately to the south is the proposed Laurel Fork South wilderness that is also bordered by Rich and Middle Mountains. Like the area to the north, it also consists of 6,100 acres with similar forest and terrain. The Forest road that separates Laurel Fork North from Laurel Fork South serves as an access to the nearby Spruce Knob-Seneca Rock National Recreation Area, Sinks of Gandy, and the Laurel Fork Campground.

Both areas are adjacent to the Glady Gas Field utilized by Columbia Gas Corporation as a storage area. The potential for discovery of additional gas reserves under these proposed wildernesses was not considered high during the RARE II process. Recent exploration

activities in the Eastern Overthrust Belt indicate higher potential for discovery of additional reserves at a greater depth than previously explored. Of the approximately 12,200 acres of National Forest involved in the two wilderness proposals, the United States owns the mineral rights on approximately 11,200 acres. There are current leases on 2,725 acres that were issued in 1951 and 1952 and 850 acres having pending lease applications. We have been informed that City Service Corporation plans to drill two deep wells adjacent to the proposed North Laurel Fork area within the next year.

Since a substantial portion of both areas is currently under oil and gas leases and the nature and extent of development are unknown, we would prefer that these areas not be designated wilderness.

EXISTING WILDERNESS AND POTENTIAL WILDERNESS

There are two existing National Forest wildernesses in West Virginia. They include the 20,000-acre Otter Creek wilderness and the 10,215-acre Dolly Sods wilderness.

Should the Congress determine that additional wilderness designations are desirable in West Virginia, we suggest consideration of the 21,800-acre Seneca Creek area that was recommended for wilderness designation as a result of RARE II. The area lies on the moist, western side of the Allegheny Front. Topography is rugged and the surface character is rocky. Spruce Knob, just south of the area, has the highest elevation in West Virginia at 4,863 feet. Several points within the area exceed 4,200 feet in elevation. The moderately steep slopes are covered with northern hardwoods and the area is considered good black bear and wild turkey habitat.

The Seneca Creek area has existing oil and gas leases on about 9,500 acres, and there are pending applications on another 3,000 acres. About 1,500 acres have private mineral rights. The area is also within the Eastern Overthrust Belt.

Since the Seneca Creek area is signficantly larger than either of the Laurel Fork areas, we would not object to wilderness designation recognizing there are existing oil and gas leases that could result in some mineral development activity.

RELEASE PROVISIONS

We note the bill does not include provisions for release of RARE II nonwilderness areas nor does it set specific time limits for congressional action on recommendations for additional wilderness which may be generated from the further planning process. Although we do not recommend enactment of H.R. 5161, we could support legislation that would designate the Seneca Creek area as wilderness. While simultaneously releasing the Cranberry, Laurel Fork North and South, and other roadless nonwilderness areas in West Virginia from further consideration as wilderness. Mr. Chairman, this completes my prepared statement. I would be pleased to respond to your questions.

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Statement by Secretary of Agriculture John R. Block before the House Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies, Jan. 29, 1982

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today to discuss the status of Commodity Credit Corporation's borrowing authority and our proposed supplemental request for an increase in that authorization. The commodity price support programs authorized by the Congress, as well as direct and guaranteed export financing of agricultural commodities and other activities, are funded through the CCC borrowing authority. The Corporation may, in accordance with existing law, have at any one time outstanding borrowings of $25 billion to finance operations, subject to availability provided in appropriation legislation. The fiscal year 1979 appropriation act for Agriculture limited the outstanding borrowings of CCC to $20 billion, and we are requesting that the remaining $5 billion be made available.

The need is urgent. The programs operated through CCC are vital both to agriculture and to the American public. Those programs provide needed stability for America's farmers and American farm production. Borrowing authority available at the beginning of this fiscal year, together with the 1982 appropriation to reimburse the Corporation for prior year losses and other funds, totaled $8.711 billion. This

would, under normal circumstances, have financed all foreseen needs and provided a reasonable operating margin. However, unprecedented commodity loan demand, together with deficiency payments for wheat and barley, had reduced borrowing authority available to $603 million by Jan. 26, 1982. Any remaining funds at the end of January would be depleted in early February by deficiency payments due cotton and rice producers.

This huge drawdown in CCC borrowing authority is primarily due to currently depressed market conditions stemming from record 1981 crops and the general state of the economy. Over seventy-five percent of the net borrowings for October through December were for commodity loans, with over half the loans placed in the wheat and feed grain reserve programs.

Other important factors have contributed to the near depletion of the $20 billion in borrowing authority. For example, loan maturities for commodity loans have been extended from nine months to three years with implementation of grain reserve programs in the 1977 farm legislation. This results in higher borrowing authority in use than would otherwise be the case. In addition, the increases in loan and purchase rates for the various commodity programs over the last four years have necessarily increased CCC borrowings. The Corporation has also been used in recent years to fund program outlays of other agencies—Medfly operations in California and crop insurance payments, for example. And, interest rates charged CCC on its borrowings from Treasury have doubled since 1978. This Committee is well aware of the buildup in Corporate inventories of dairy products with holdings in excess of $2.5 billion, which, of course, represent borrowing authority in use. The Department has explored every avenue to assure the Corporation has sufficient funds to meet its legal obligations. For example, with the cooperation of Treasury officials, interest due the Treasury on Jan. 1, 1982, was deferred for payment until no later than Sept. 30, 1982. Without this action, the CCC would have depleted all remaining funds on Jan. 12, 1982. If the borrowing authority is exhausted it will be necessary to suspend all loan and payment operations until cash receipts are of sufficent volume to make the resumption of operations feasible.

Mr. Chairman, I do not want to take such an action, and I know the Committee shares my concern. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others. The manner in which CCC inventories are handled and merchandised is of key importance to both domestic and foreign markets, and its operations directly affect the day-to-day business dealings of the many with which CCC conducts its activities.

This concludes my statement. I and my colleagues will be happy to respond to your questions.

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News Conference

U.S. Department of Agriculture • Office of Governmental and Public Affairs

The following are edited excerpts of a news conference with Secretary of Agriculture John R. Block, Jan. 21, 1982

Secretary Block: Good morning.

I today have asked the nation's private lending institutions—the country bankers, production credit associations and others—that lend to farmers to help agriculture during these cloudy times.

We have faced drought, a precipitous decline in the prices farmers receive for their crops, a grain embargo, high interest rates and double-digit inflation. We are in a valley right now and we need a little help as we move up the other side. Agriculture is a basically healthy industry, with the most productive plant of any country in the world, but it has some rather difficult times now.

I today I have been joined by leaders from the Farm Credit System, Independent Bankers Association and the American Bankers Association. We agree we will work together to carry agriculture through these days. The U.S. Department of Agriculture will be looking to them for their suggestions and recommendations, and we will be talking with them about what we think they can do to be of the greatest benefit to farmers.

As secretary of agriculture, I have broad discretionary authority in dealing with farmers who borrow from USDA's Farmers Home Administration. Our objective is to keep farmers in business.

That isn't to say there won't be some farmers who go out of business, because there will.

But we are going to use the very best judgment and a reasonable set of criteria in making these evaluations.

Farmers who have a reasonable chance of accomplishing their loan objectives, farmers who have shown good faith in trying to make their payments and farmers who have demonstrated reasonable management skills should stand a good chance of getting enough money to stay in business another year.

We are going to talk with borrowers at county FmHA offices to work out a way we can keep them in business, whether it be through working with FmHA, commercial lending institutions or a combination of the two.

The total value of the agricultural industry passed the $1 trillion mark this year and outstanding debt against those assets will approach $200 billion mark this year. That, from a business perspective, is a fundamentally healthy business situation in terms of the debt-to-asset ratio.

But because of a combination of conditions that have come together in the last 18 months, many producers have a short-term cash flow problem with which they must deal. We will use FmHA's discretionary authority—on a case-by- case basis—to those lenders that are experiencing difficulty.

We plan to reamortize, refinance and reschedule loans and to do these things in a reasonable fashion, to do it aggressively and to get it done as promptly as possible so our producers can make their plans in a timely fashion for the 1982 crop year.

Those farmers who we think have the most potential credit difficulty will have credit conferences with FmHA by the end of January and, by then, we will have a plan worked out for them on what they can expect in the year ahead.

We also will work with the private lenders across the country to set up a program to help individual producers who are experiencing the most difficulty.

We also have increased the amount of funds available for short-term FmHA lending from the $800 million available last year to $1.3 billion in 1982.

I am happy at the level of cooperation between the private sector and the government in recognizing our obligation to the farming community to see it through the period of stress we now have on a short-term basis.

Are there questions this morning?

QUESTION: You spoke of cloudy times ahead. How dark are the clouds?

ANSWER: Interest rates are now lower, so I think the situation already has started to turn around. But I cannot predict when

everything will get rosy again. Perhaps a poor crop somewhere in the world will create more demand for our grain. Maybe the world economy will start improving, which can create more demand.

Q: What would you tell the individual farmer who is struggling with very real financial problems?

A: That farmer will have to play it very close to the vest. He or she cannot be looking toward big expansion and capital items. It is going to be a time of retrenchment until he can get his business into more of a healthy situation in terms of his balance sheet.

Q: Can you tell from FmHA's portfolio how much danger there is of default and how many defaults these new guidelines will forestall?

A: In 1980, there were 264 foreclosures out of about 300,000 farm loans. In 1981, that number was around 300.

That does not mean there are not a large number of producers who have negative cash flows, who are borrowing into equity or who have to do some refinancing and restructuring for this coming crop year. But they are not in danger of going out of business.

I am reluctant to say what percent of our portfolio will be affected by today's announcement because that is a constantly changing number. But in the broad general context, we are look at around 1 percent or less of our cases that have even a potential to become a serious problem.

Q: Have you considered a one-year moritorium on FmHA loan foreclosures?

A: I don't think that would be a responsible position to take. I think the responsible thing to do is to consider farm loans on a case-by-case basis.

Q: How many loans are delinquent?

A: We probably have one of the tightest definitions of delinquency of any business in the country. Deliquency for us means anybody who is more than 15 days late in making any payment that is due.

Even with that definition the delinquency rate has progressively been going down. I have not seen the most current information, but the number was drifting down to the 20-percent level. That number, while still too high, is a considerable improvement in the last year and, in fact, producers have paid close to $1 billion on their loans in the last year of delinquent payments.

Q: It is my understanding that the delinquency rate has fluctuated by as much as 5 percent during each quarter of 1981. Do you expect the fourth quarter of 1981 to be about the same as previous quarters, or do you think it will show any significant difference?

A: I would, in all candor, expect a slight rise in the January report. This is normal because most of our payments fall due Jan. 1 and anyone who hasn't paid by Jan. 15 will show up as delinquent, even if they pay by the 16th.

While this rate will be up slightly, we are seeing a real effort by those producers who have the ability to pay to get their loans caught up.

Q: Given the burdensome supplies of grain we have on hand right now, what are the prospects for improved farm income?

A: We are looking at expanding exports this coming year, both in terms of dollars and volume. Further, we will see smaller increases in inflation and a lowering of interest rates.

All of this helps the farmer because he traditionally is a big borrower who lives on a day-to-day basis with inflation.

Q: One of President Reagan's policies has been to collect bad debts owed to the government. How do you work out your desire for some accommodation with the farmers with the policy to tighten debt collection?

A: Our objective is to turn many loans back to the commercial sector. But, at the same time, as a lender of last resort, we are going to try to do what we can to keep in business those farmers who have a reasonable chance of being successful and making progress.

Q: Would you say the farm sector is in a depression?

A: No, I wouldn't call it a farm depression, although I would say definitely we are living in a stressful time in agriculture.

Q: How long can we live with prices farmers receive for their crops well below the cost of production?

A: That depends largely on the individual farmer. But we know there is a limit to how long any industry or any individual can survive with a negative cash flow.

Q: There are reports that Under Secretary of Agriculture Frank Naylor has directed state FmHA offices to foreclose on a certain percentage of delinquent loans. Can you elaborate on that?

A: I can answer that very quickly. Bunk.

I am aware there were some press reports and some rumors—particularly in the Midwest—that we were going to lop off a certain portion of our borrowers and arbitrarily foreclose on them. There will not be and never has been any such directive.

Thank you for coming by today.

#

News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

EXOTIC NEWCASTLE DISEASE FOUND IN PARROTS IN MIAMI, FLA.

WASHINGTON, Jan. 19—Exotic Newcastle disease, a devastating foreign disease of poultry and other birds, has been confirmed by U.S. Department of Agriculture veterinarians in parrots at a pet shop in Miami, Fla.

According to Harry Mussman, administrator of USDA's Animal and Plant Health Inspection Service, the disease was isolated from a double yellow-headed Amazon parrot at Fernwood Gardens, 7800 S.W. 117th Ave., Miami., a retail outlet with an inventory of about 120 birds.

Mussman said the diseased diseased bird was one of a shipment of ten from an Arizona bird dealer. The dealer said the birds originated from California and that two others in the same shipment were sold to an individual in New Mexico.

Mussman said APHIS has placed Fernwood Gardens under quarantine and that APHIS veterinarians are tracing the other shipments.

There are different forms of Newcastle disease—ranging from mild domestic strains to the highly virulent exotic Newcastle. The milder forms of the disease, common in poultry since the 1940's, have been controlled by vaccines.

Commercially raised chickens and turkeys are highly vulnerable to the disease. The more virulent exotic Newcastle disease virus causes losses even in vaccinated poultry. Young birds are particularly susceptible, with mortality rates approaching 100 percent.

Exotic Newcastle disease is not a hazard to those who eat eggs and poultry products. However, some people who handle infected birds have developed mild eye infections as a result of the exposure.

#

WATER OUTLOOK APPEARS GOOD FOR MOST OF WEST

WASHINGTON, Jan. 20—Prospects are favorable for adequate to abundant water supplies in most of the West this summer, the U.S. Department of Agriculture and the National Oceanic and Atmospheric Administration reported today.

Norman A. Berg, chief of USDA's Soil Conservation Service, said his agency's first snowpack surveys of the season indicate that most rivers in the region should receive normal to above normal runoff when snowmelt begins in the spring.

Berg said generally good reservoir storage levels on Jan. 1, coupled with heavy early winter snowfall over most of the West, make prospects excellent.

However, below normal runoff now is forecast for Montana, Arizona and New Mexico.

Several late December storms dumped snow on the mountains of Oregon and California. These storms moved inland to the central Rockies, resulting in excellent snowpack for Nevada, Idaho, Colorado and Utah.

Only about 40 percent of the snow season had passed by Jan. 1, and Berg said this early assessment could be modified later.

The Soil Conservation Service surveys snowpack and monitors snowmelt at 1,600 sites throughout the West and reports each month from January through May. USDA specialists, in cooperation with the National Weather Service of the National Oceanic and Atmospheric Administration, U.S. Department of Commerce, analyze the data and issue monthly forecasts of runoff and water supplies.

Snow accumulated during winter and spring provides about 75 percent of the western water supply.

#

ACTION TAKEN TO STRENGTHEN FARM CREDIT

WASHINGTON, Jan. 21—In a move to strengthen current farm credit, Secretary of Agriculture John R. Block today met with a group

of private agricultural lenders and asked them to help coordinate credit assistance to farmers.

Block also established guidelines to be used in assessing loans currently held with USDA's Farmers Home Administration.

The private lenders included representatives of the Farm Credit System, the American Bankers Association and the Independent Bankers Association of America.

"While the long-range outlook for agriculture looks encouraging," Block said, "we can't overlook the fact that many farmers are experiencing temporary credit and cash flow problems." The commercial lenders will help USDA monitor the credit situation and offer ways to improve participation lending and other innovative financing.

Block said FmHA field offices have been instructed to make every effort to assist farmers in dealing with current credit conditions and to fully use the broad discretionary authorities authorized by the secretary in helping make individual loan decisions. Farmers who have received FmHA loans will be asked to discuss their loans with field personnel. "We want to find ways to stay with the borrowers another year, except in very extreme cases," Block said.

Specific guidelines to be used by FmHA field personnel include whether the borrower has:

— acted in good faith in trying to meet commitments with FmHA;

— made an honest effort to pay, but cannot due to circumstances beyond his or her control;

— applied recommended and recognized successful production and financial management practices;

— a reasonable chance to accomplish the loan objectives; and

— maintained his or her account for security.

Agricultural lending agencies and their representatives who have agreed to advise Block include:

Farm Credit Administration (all from Washington, D.C.)

— Donald E. Wilkinson, governor; Al Haslebacher, deputy governor; and Larry W. Edwards, associate deputy governor.

Independent Bankers Association of America

— James B. Benda, federal administrative counsel, Washington, D.C.; Thomas H. Olson, president, Lisco State Bank, Lisco, Neb.; and

Don F. Kirchner, president, Peoples Trust and Savings Bank, Riverside, Iowa.

American Bankers Association

— Deryl I. Derr, director, ABA agricultural bankers division; Michael E. Fitch, vice president for agricultural affairs, Wells Fargo Bank, San Francicso; and Alan R. Tubbs, president and trust officer, First Central State Bank, DeWitt, Iowa.

#

USDA ORDERS FUMIGATION OF CITRUS LEAVING RIO GRANDE VALLEY

WASHINGTON, Jan. 21—U.S. Department of Agriculture officials have ordered all citrus leaving the Rio Grande Valley of Texas be fumigated, following the Jan. 19 trapping of a female Mexican fruit fly there.

"We began a new procedure—shipping Rio Grande Valley citrus without fumigation—in November," said William Helms of USDA's Animal and Plant Health Inspection Service. "The new procedure was successful and provided cost savings for producers."

However, Helms said, to protect citrus growing areas of other states it was agreed that fumigation would again be required if there was any evidence of an established infestation. The female fly was trapped in an area southeast of Cantu, on Highway 494, near the site where a male fly was trapped Jan. 5.

A combination of intensive trapping, fruit cutting and sterile fruit fly releases over the western portion of Hidalgo County have assured that fruit shipped from that area has been free of the pest, Helms said.

"We still plan to continue trapping to monitor fruit fly levels in the valley, to evaluate the effectiveness of the sterile fly technique and gather additional pertinent data," said Helms.

Mexican fruit flies damage a wide variety of host fruits, but among citrus, the flies prefer grapefruit. USDA entomologists said the Rio Grande Valley is the northern ecological range for the fly in Texas.

#

USDA ANNOUNCES PARTIAL AGREEMENT WITH JAPAN ON MEDFLY EXPORT RESTRICTIONS

WASHINGTON, Jan. 21—Japan has agreed to relax some of the restrictions placed on U.S. produce exports because of the mediterranean fruit fly, Secretary of Agriculture John R. Block announced today.

Block said he received the information from Assistant Secretary C. W. McMillan, who led a USDA team in negotiations in Japan this week.

Japan began requiring fumigation of produce from all of California last year when the medfly infestation began. Since then, U.S. officials have been negotiating with Japan to lift restrictions on California produce from outside USDA-regulated areas. This includes acceptance of produce either exposed to cold in transit in lieu of fumigation or fumigated aboard ship.

The discussions have resulted in an exchange of letters of understanding, rather than a formal agreement. Block said Japanese officials have agreed to:

— accept produce if cold-treated or fumigated in transit to Japan; and

— accept lemons without treatment until April 10 from counties not partially or entirely regulated by USDA, if shipped in order to prevent their becoming infested in transit.

Block said that Japanese officials rejected the U.S. request to restrict produce coming only from USDA-regulated areas of California, until the Department lifts quarantines in Stanislaus and Los Angeles counties.

"We still strongly believe that Japan should restrict produce only from USDA-regulated areas," Block said. "Relaxing treatment requirements on lemons does not satisfy our concerns."

McMillan added, "We still feel it is safe for the Japanese to accept untreated produce from outside the regulated area. We are asking for nothing more than what the United States is already doing on interstate shipments."

According to Block, a Japanese delegation will visit California in early April to review program operations and may announce further changes at that time.

#

DECEMBER CONSUMER PRICE INDEX RELEASE INDICATES MODERATE FOOD PRICE RISE

WASHINGTON, Jan. 22—Food prices in December rose by 0.3 percent (before seasonal adjustment), according to the monthly consumer price index (CPI) released today by the U.S. Department of Labor.

According to J. Dawson Ahalt, deputy assistant secretary of agriculture, prices for food bought in grocery stores rose 0.3 percent in December, while prices for food away from home were up 0.2 percent. "This continues a pattern of moderate retail food price changes and reflects generally lower farm commodity prices in 1981," Ahalt said.

He also said farmers need higher prices if the nation is to be assured of an adequate food supply in the future.

The December change brought the 1981 annual average food price increase to 7.9 percent, the third successive year in which food prices have risen less than the general inflation rate. Increases in food marketing costs were the primary source of last year's food price rise. Farm-level price changes contributed little to the 1981 food price rise, reflecting large agricultural supplies and weak demand due to the recession.

Food prices this year are expected to rise 5 to 9 percent, with current conditions suggesting an increase of near 7 percent. As in 1981, higher food marketing costs will be the source of most of the 1982 food price rise, with changes in farm commodity prices exerting little upward pressure.

The major cause of the December food price rise was a 7.6 percent rise in fresh vegetable prices. This was mainly due to a 33.5 percent jump in lettuce prices, caused by reduced acreage and insect damage to the California crop. In contrast, large meat supplies and weak demand

due to the recession continued to push down prices for beef, pork and poultry.

Changes in prices of other foods were mixed. Prices for cereals and bakery products rose 0.5 percent, mainly due to higher marketing costs. Dairy product prices rose 0.2 percent, as continued large milk production pushed the farm value down nearly enough to offset higher marketing costs.

Increased global sugar production last year—especially in India and the European Community—continued to put downward pressure on sugar prices, holding the sugar and sweets CPI to a 0.1 percent increase. Prices for fresh fruits were down 2.4 percent in December as citrus supplies increased.

The fats and oils CPI declined 0.4 percent, as lower wholesale peanut butter prices in recent months—a consequence of the recovery in peanut production last fall—were passed through to retail.

December Retail Food Prices, Percent Changes for Selected Items

Items	November to December 1981 Not seasonally adjusted	November to December 1981 Seasonally adjusted	1981 Annual Change
		Percent change	
All food	0.3	0.4	7.9
Food away from home	0.2	0.4	9.0
Food at home	0.3	0.5	7.3
Meats	-0.3	0.7	3.6
Beef and veal	-0.4	-0.6	0.9
Pork	-0.6	*	9.3
Poultry	-0.3	-0.6	4.1
Eggs	1.7	-5.5	8.3
Fish and seafood	0.2	*	8.3
Dairy products	0.2	0.3	7.1
Fats and oils	-0.4	-0.2	10.7
Cereals and bakery prods.	0.5	*	10.0
Fruits and vegetables	1.6	0.8	12.0

December Retail Food Prices, Percent Changes for Selected Items *(Continued)*

Items	November to December 1981 Not seasonally adjusted	Seasonally adjusted	1981 Annual Change
	Percent change		
Nonalcoholic beverages	-0.2	0.5	4.2
Sugar and sweets	0.1	0.5	7.9
Other prepared foods	0.0	*	10.3

* No seasonally adjusted index available.

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PENNZOIL DONATES 100,000 ACRES IN NEW MEXICO TO USDA

WASHINGTON, Jan. 22—Pennzoil Company of Houston, Texas, has donated 100,000 acres of land in northeastern New Mexico to the American public, Secretary of Agriculture John R. Block announced today.

The land, part of Pennzoil's Vermejo Ranch property, will be administered by the U.S. Department of Agriculture's Forest Service as part of the adjacent Carson National Forest.

Block said the property is the largest and most valuable donation of private land ever made to the Forest Service and that Pennzoil also is considering donating additional acreage from the ranch.

"Pennzoil's generosity provides the public with an area of incredible beauty containing valuable natural resources," Block said.

Vermejo Ranch is located in the Sangre de Cristo Mountains in northeastern New Mexico, beginning some 20 miles west of Raton. The donated area is in the western portion of the half-million-acre working and guest ranch. The internationally-recognized area is highly valued for its beauty, Block said, as well as for its multiple-use resource values, including timber, forage, fisheries and wildlife.

In accepting the donation, Block said he appreciated Pennzoil Chairman J. Hugh Liedtke's efforts in bringing about the transfer of the property to the Forest Service. He also commended Pennzoil for its

work preserving and improving the ranch during the eight years the company has owned it.

The property will be administered as part of the Carson National Forest for all its multiple-use resource values. As a result of the donation, timber harvest from the forest will be increased by 9 million board feet per year. About 5,000 animal-unit-months of grazing would be provided for livestock of local ranchers during the summer.

Block said mineral development in the area is important to both the local economies and the nation. Coal mining activities by Kaiser Steel Corporation will not be affected by the donation, he said.

Outdoor recreation opportunities on the 100,000 acres, including camping, hiking, fishing, skiing and birdwatching, will be available to the public. Through special fees collected by the New Mexico Department of Game and Fish, trophy big game hunting and fishing will continue on the donated property and now will be available to the general public. The additional funds will be used to improve wildlife habitat.

Public use of the area also will increase sales of groceries, gasoline and other service items in surrounding communities, Block said.

Local county governments will receive 25 percent of all revenues generated to the U.S. Treasury from timber harvesting, grazing and other land uses on the Vermejo property. These total revenues are expected to amount to $1.2 million annually, Block said.

#

AUSTRALIANS, USDA SIGN COOPERATIVE AGREEMENT ON NATURAL RUBBER RESEARCH

WASHINGTON, Jan. 22—The U.S. Department of Agriculture and the State Government of New South Wales, Australia, today signed an agreement to promote the exchange of scientific information on the cultivation and commercialization of guayule (wy-'oo-lee), an arid-land shrub from which natural rubber can be extracted.

Signing the agreement on behalf of USDA were Anson R. Bertrand, director of Science and Education, and Joan S. Wallace,

administrator, USDA Office of International Cooperation and Development.

"We anticipate that this agreement will benefit the efforts of both governments to develop their domestic natural rubber industries and begin to move toward less dependence on foreign sources," Bertrand said.

The United States and Australia currently must import natural rubber to produce such strategic and essential items as truck and aircraft tires. Bertrand said synthetic rubber manufactured from petroleum does not have the elasticity, resilience and heat-resistance necessary for these products.

Under the agreement, U.S. and Australian scientists will exchange information on research and development activities several times each year, and they may develop joint scientific programs in certain areas. They also will exchange seed lines, plant materials and raw rubber products to help further research progress in guayule cultivation, rubber extraction and processing technology.

In March, a U.S. research team will tour Australian guayule research sites and hold seminars with Australian scientists to plan future cooperative projects.

USDA's Office of International Cooperation and Development and the Joint Commission on Guayule Research and Commercialization worked with the State Government of New South Wales to bring about this agreement. The interagency joint commission was established by the Native Latex Commercialization and Economic Development Act of 1978.

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BLOCK ANNOUNCES MARKETING ORDER GUIDELINES

WASHINGTON, Jan. 25—Secretary of Agriculture John R. Block today endorsed continued use of federal marketing order programs for fruits, vegetables and specialty crops, and announced new guidelines to influence future government decisions and industry actions under the orders.

Currently there are 48 federal marketing order and agreement programs for fruits, vegetables and such specialty crops as nuts, hops and spearmint oil. They cover 34 commodities grown in 37 states, with a total annual farm value of $5.2 billion. All were put into effect following referenda of affected producers. They are industry originated controls, authorized under the Agricultural Marketing Agreement Act and financed by assessments within the industries.

Block said the new guidelines were developed after the marketing orders were analyzed for several months by economists and U.S. Department of Agriculture officials.

"Marketing orders were targeted for review last spring by the President's Task Force on Regulatory Relief, and I initiated an economic study that included comment from industry. The study was completed last November. Additional reviews within USDA have been ongoing since then, leading up to the guidelines issued today," he said.

"Marketing orders make a significant contribution to market stability, and I favor these programs," Block said. "But provisions of some orders may impose inefficiencies on the production and marketing system.

"These new guidelines have been established to prevent abuse, and for both industry and the general public to have a better understanding of what the orders should and should not do. I believe they represent a fresh approach and will offer some innovative suggestions."

Marketing orders are requested by producers and administered by USDA's Agricultural Marketing Service.

Block said the administration currently has no plans to seek changes in the legislation authorizing marketing orders.

"We will be asking the commodity industries served to recommend how these flexible guidelines can be applied to achieve the desired objectives of their respective marketing orders," he said.

Through the guidelines, Block said USDA looks at several major provisions and procedures common to most federal marketing orders, including: volume controls, quality provisions, effects on imported commodities, research and promotion, bloc voting and administrative procedures.

The guidelines include:

— Recognition that provisions imposing volume controls, such as those limiting the quantity of fruits and vegetables that may be shipped, have a clear statutory basis and help prevent depressed prices during periods of overabundance. But the guidelines also state that industry should consider methods by which prorate provisions can be made less restrictive in controlling the rate of flow of commodities to market.

Additionally, the guidelines call for elimination of those producer allotment provisions that do not allow entry of new producers. They also state volume controls should not be used to encourage chronic overproduction or restrict competition.

— A requirement for industry or marketing administrative committees to spell out, under various conditions, the ultimate use of those commodities placed in reserve pools. Such pools allow for setting aside quantities of an overabundant crop, storing it for later return to market.

— Instructions to industry to develop procedures to sell limited quantities of overly ripe, less attractive or blemished produce directly to consumers.

"If the industry believes this type of approach could not or should not be followed, it should present convincing evidence to the department," the guidelines state.

— Strong encouragement that cooperatives refrain from bloc voting on marketing orders or amendments, even though this is a practice allowable under statute. In bloc voting, a cooperative votes on behalf of all its members. The guidelines state individual voting will better represent the interests of the industry as a whole.

Marketing orders can be amended or terminated following a vote by affected producers, and the guidelines call for periodic continuance referenda.

Block said import regulations under the law authorizing marketing orders apply "golden rule" quality standards to imports of some commodities that are also produced domestically under marketing orders.

"The statute does not seek to limit imports," he said, "but rather to ensure that low quality imports do not threaten the domestic market for

U.S. crops. We will also see to it that any import regulations are compatible with international trade agreements and obligations."

The guidelines express strong support for research and promotion provisions of marketing orders.

Copies of USDA's marketing order guidelines are available from Information Division, AMS, USDA, Room 2638-S, Washington, D.C. 20250. They will also be published soon in the Federal Register, available at most public libraries.

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USDA OFFICIALS PROPOSE AMENDMENTS TO INTERSTATE SHIPPING RULES FOR CATTLE

WASHINGTON, Jan. 26—U.S. Department of Agriculture officials are proposing to amend interstate shipping rules for cattle to include definitions and other pertinent provisions of the current USDA "Uniform Methods and Rules" for brucellosis eradication.

These methods and rules set minimum regulatory standards for state animal health agencies participating in the cooperative state-federal brucellosis eradication program, said Dr. Paul Becton, veterinarian in charge of the brucellosis program for USDA's Animal and Plant Health Inspection Service.

"The proposed changes would make the definitions and terminology used in interstate shipping rules conform with those now used in the USDA methods and rules and with other rule changes currently being considered," Becton said. "The uniform methods and rules provisions are now incorporated into federal rules by reference only. The current reference is to the 1977 version, which is outdated."

Becton said brucellosis standards for state participants have been completely overhauled since 1977. Changes since then were approved and adopted by USDA as a result of recommendations by the U.S. Animal Health Association, an organization representing various state animal health agencies and major livestock industry groups. Further changes, also based on industry recommendations, are currently being considered by APHIS.

Comments on the proposed changes should be sent, by March 25, to the deputy administrator for veterinary services, USDA, APHIS, Federal building, 6505 Belcrest Rd., Hyattsville, Md. 20782.

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USDA MAKES SLIGHT CHANGE TO CLARIFY HORSE IMPORT RULES

WASHINGTON, Jan. 27—U.S. Department of Agriculture officials are making slight changes in import regulations for certain breeding-age horses from countries affected with contagious equine metritis, a venereal disease of horses.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said import regulations for breeding-age horses from countries affected with the disease need to be clarified because of certain misunderstandings about the veterinary certification required for acceptance by USDA officials.

He said under current regulations, breeding-age horses—those over 731 days old—can be imported from countries affected with the disease if the nation's veterinary officials can certify from records acceptable to USDA that the imported horses never had been bred and never had been kept at an establishment where horses are bred.

The amendment to the regulations states specifically that this certification applies only to Thoroughbreds from West Germany, the United Kingdom, Ireland and France, and to Standardbred horses from Australia. It further specifies the exact certification procedure and the breed association records that will be accepted by USDA officials for certification purposes.

The regulation change is effective as soon as it is published in the Federal Register, which is scheduled for Jan. 28. Public comments on this interim rule change may be submitted through March 29 to the deputy administrator for veterinary services, APHIS, USDA, Federal Building, 6505 Belcrest Rd., Hyattsville, Md. 20782.

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USDA RAISES RATES FOR MEAT AND POULTRY INSPECTION

WASHINGTON, Jan. 27—The U.S. Department of Agriculture has made permanent the increased rates it charges for inspecting meat and poultry to reflect the increased cost of providing these services.

Donald L. Houston, administrator of USDA's Food Safety and Inspection Service, said the higher rates were implemented on an interim basis last October because of the immediate need to bring inspection costs in line with expenses starting with the new fiscal year.

At that time, the public was invited to submit comments before Dec. 1 on permanent rate increases. The one comment received indicated concern that the increases would be passed on to consumers.

Houston said the increase in fees will not have a major economic impact on consumer prices for meat and poultry, and as a result all of the interim rate increases are being adopted as originally announced.

The hourly rate for inspection for the basic workweek is $14.64, up from $13.46. The overtime rate paid to USDA inspectors is $18.12 per hour instead of $16.76 per hour, and the hourly costs for laboratory services is $27.28 instead of $26.24.

Under the Federal Meat and Poultry Inspection Acts, USDA must assume inspection costs during routine working hours in all plants producing meat and poultry products for interstate or foreign commerce. USDA charges the plant for all inspection services required after an 8-hour day or 40-hour week.

Notice of the increased rates is scheduled to be published in the Jan. 28 Federal Register, available in many public libraries.

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USDA PROPOSES CHANGE IN MARGARINE STANDARD

WASHINGTON, Jan. 27—The U.S. Department of Agriculture today proposed changes in its standard for margarine and oleomargarine to make them more consistent with international and Food and Drug Administration standards.

"Current USDA policy allows margarine manufacturers to prepare and label margarine according to Food and Drug Administration

regulations," said USDA Food Safety and Inspection Service Administrator Donald L. Houston. "The new standard would make this policy formal and thus make the standard more compatible with current industry practice." The standard would allow a wider variety of substances to be used in the manufacture of margarine and oleomargarine. It would also specify that any future revisions in the FDA standard would be carefully studied by USDA and corresponding changes in the USDA standard considered.

Although manufacturing practices vary little among the different kinds of margarine, under provisions of the Meat Inspection Act, USDA is responsible for margarine and oleomargarine that contains animal fat. The Food and Drug Administration is responsible for other kinds. The two terms, margarine and oleomargarine, are used interchangeably.

Comments on the proposal will be accepted until March 29. They should be sent to Annie Johnson, FSIS Hearing Clerk, Rm. 2637-S, USDA, Washington, D.C. 20250.

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USDA FINDS EXOTIC NEWCASTLE DISEASE IN TWO CALIFORNIA PARROTS

WASHINGTON, Jan. 28—U.S. Department of Agriculture veterinarians have found two apparently unrelated cases of exotic Newcastle disease in parrots at Huntington Beach and Long Beach, Calif.

Dr. William Buisch, the veterinarian who directs emergency field operations for USDA's Animal and Plant Health Inspection Service, said this foreign disease of poultry and other birds was found in a Mexican red-headed parrot at Huntington Beach and in a double yellow-headed parrot at Long Beach.

Both cases were confirmed at a state poultry disease laboratory at San Bernardino.

The disease was found when the birds became sick and their owners took them to local veterinarians, who in turn submitted specimens to the San Bernardino laboratory.

The Huntington Beach parrot has been purchased from a Luis Salizar, address unknown. When USDA inspectors tried to contact Salizar by telephone, the number turned out to be a pay telephone booth.

The Long Beach parrot has been bought from an unknown person in a laundromat.

Investigation of both cases is continuing.

Buisch warned prospective parrot buyers to avoid purchasing "bargain" birds. "A 'steal' from a stranger on a street corner may not turn out to be much of a bargain if the bird dies from exotic Newcastle," he said.

There are different forms of Newcastle disease—ranging from mild domestic strains to the highly virulent exotic Newcastle. The milder forms of the disease, common in poultry since the 1940's, have been controlled by vaccines.

Commercially raised chickens and turkeys are highly vulnerable to the disease, Buisch said. The more virulent exotic Newcastle disease virus causes losses even in vaccinated poultry. Young birds are particularly susceptible— most die if they get the disease.

Exotic Newcastle disease is not a hazard to those who eat eggs and poultry products. However, some people who handle infected birds have developed mild eye infections as a result of the exposure.

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